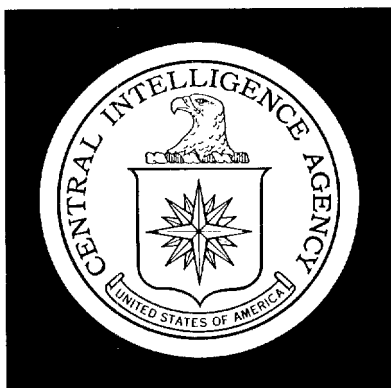


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NORTH VIETNAM: Two authoritative political articles have been published recently that are markedly different in tone from other Hanoi pronouncements of the past several months. They could mean that the party line on the war is in flux.

Both articles commemorate the 1945 August Revolution in North Vietnam. The first was published in the party theoretical journal and was broadcast in summary form by Radio Hanoi in mid-August; the second appeared in the army monthly magazine and was broadcast on 29 August. Both articles are replete with the customary doses of Marxist jargon, some of which reflects Hanoi's continuing concern over its international position in the wake of the contacts between Washington and Peking. In their treatment of the war, however, both articles omit any reference to the 19th party Central Committee plenum, which took place sometime around the turn of the year and which called for a stepped up Communist war effort. Nor does either article tout the battles in southern Laos and Cambodia last spring as "strategically significant" Communist victories--a hitherto standard bit of jargon that implied that Hanoi viewed those battles as a springboard for further Communist military gains in the not-too-distant future.

Moreover, the notion that the Vietnamese Communists are pointing toward large-scale military action in the war--a theme that has pervaded their propaganda since at least last March--has been conspicuously weakened in these two articles. The army magazine even picks up an odd line that has appeared once or twice in other recent publications to the effect that the worst of the fighting is over. Both articles, in addition, have long passages of convoluted language emphasizing the unvarying "correctness" and "creativity" of the Vietnamese Communist party line. The North Vietnamese have in the past reverted to such topics

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either when there seemed to be differences within the leadership to be papered over or when a policy shift was in preparation.

Hanoi's other, less authoritative media have continued to replay the themes omitted in the party and army journals. If the shifts in the theme begin to appear in the other media, the impression that a policy change is in the wind will be strengthened. The comprehensive reports which are traditionally given by government leaders in connection with the national day on 2 September may provide some further clues.

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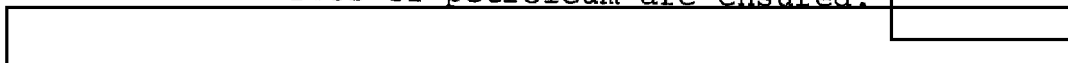
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INDIA-PAKISTAN: India continues to make military preparations, but apparently still on a contingency basis.

According to the Indian press, New Delhi has placed its armed forces on "general alert." At least some units already may have been on such an alert; in any case, it is an increased state of readiness rather than a preliminary to immediate hostilities. Leaves have been canceled as of today. A rear area brigade in the west has left its normal station, possibly an indication that units are moving closer to the West Pakistan border.

If India were to go to war, armored units in central India would almost certainly move closer to the front, but there is no sign so far of such a move. Moreover, monsoon-caused flooding in the east--although less severe than usual--would seem to preclude major operations there for the time being.

Meanwhile, in moves to assure adequate petroleum supplies, the government has asked the three foreign refineries in the country to use their idle capacity to expand production and to camouflage all their bulk storage areas. The companies, previously prohibited from producing beyond about 75 percent of capacity, now are being permitted to import all of the crude oil they can use. The petroleum minister has said that the government may consider modification of refinery agreements but added there is no question of taking over foreign companies until alternate sources of petroleum are ensured.



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NEPAL: Both the King and the prime minister appear to have gained in stature as a result of the recent cabinet shuffle.

Kathmandu was caught by surprise on 29 August when K. N. Bista was reinstated as prime minister only three days after his resignation under royal pressure. King Mahendra had sharply criticized Bista's government for the arrest of a recently elected legislator who was openly critical of certain antidemocratic aspects of Nepal's "partyless democracy." Partly in response to the public's adverse reaction to the arrest, Mahendra pardoned the parliamentarian, and Bista then submitted his resignation.

The King's motivation in retaining Bista is not entirely clear but the prime minister has emerged with a strengthened personal position. His chief rival, the former foreign minister, was dropped from the cabinet because of his widely known involvement in corruption. Bista picked up the foreign affairs portfolio in addition to his previous positions of finance, defense, and palace affairs. Two other ministers whom Bista reportedly wanted ousted were also excluded; one for suspected corruption and another for his role in the handling of the case of the sentenced legislator. The only new full minister is a distant relative of Bista's whose support seems assured.

The new assignments to full and assistant ministerial positions demonstrate Mahendra's political skill in the careful balancing of caste and regional interests. The three expulsions also reflect his concern for maintaining the image of an honest government responsive to the wishes of the people. The King's interest in improving relations with India is also served by Bista's retention. Despite Bista's previous anti-Indian reputation, he is increasingly regarded by Indian officials in Kathmandu as an honest and capable administrator who played a positive role in the recent signing of long-stalled Indo-Nepalese trade and transit treaty.

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JORDAN: The closure of the border with Syria and Iraq is now clearly hurting Jordan's economy. Production of phosphate, Amman's leading export, will soon cease because it cannot be exported through Mediterranean ports. Consumers also are suffering; prices of basic foodstuffs such as fruits, vegetables, and meat have risen some 15 to 25 percent, while many other goods are not available. If the closure continues much longer it will add to Jordan's already formidable budget problems.

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DENMARK: Prime Minister Baunsgaard's three-party coalition, beleaguered by inflation, stands only a 50-50 chance of obtaining a workable majority from the quadrennial parliamentary elections called yesterday for 21 September. On the other hand, the opposition Social Democrats, led by former Prime Minister Krag, are hopeful of returning to power as a minority government supported by the left-wing Socialist People's Party. Although an increasing number of Social Democrats are dubious about Danish entry into the EC, their party, like the government parties, supports it. All the parties favor continued Danish membership in NATO. But the Social Democratic congress on 28-29 August approved a more aggressively anti-Greek and anti-Portuguese stance than that of the government, the establishment "soon" of relations with North Vietnam, and a reorganization of Denmark's defense establishment.

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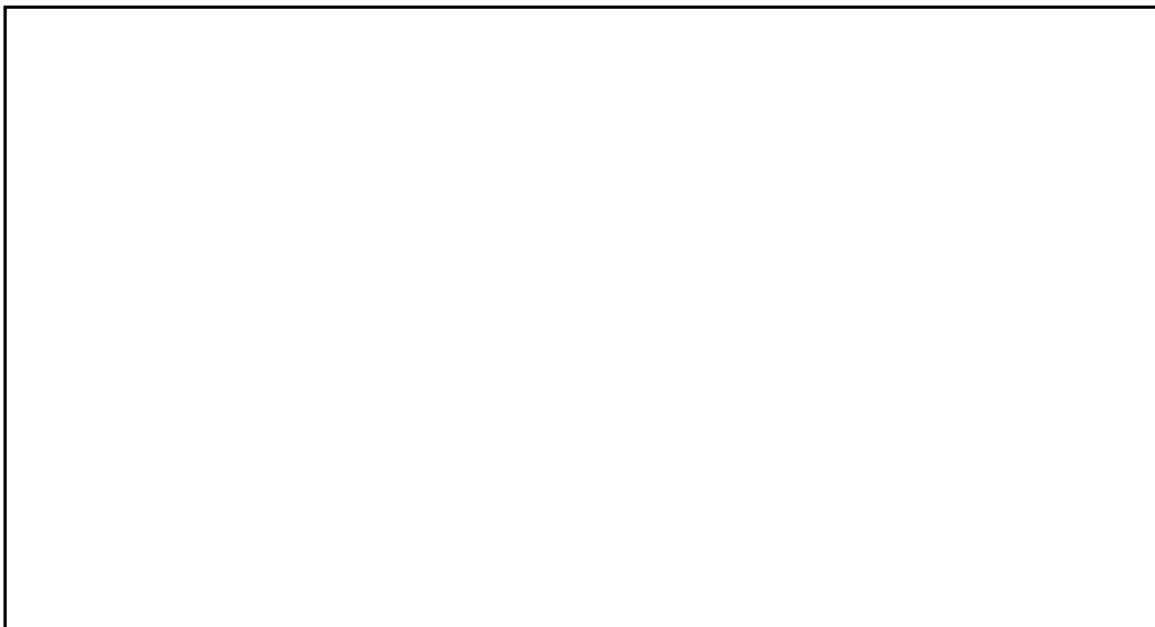
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NATIONALIST CHINA - AUSTRIA: Taipei has been able to attract about \$244 million in loans and investments from a leading Austrian steel and steel plant equipment company--the Voest Corporation--and several Austrian banks for the construction of an integrated steel mill. The effort to find funds in Europe followed a decision late last year by the United States Steel Corporation not to participate in the project. Despite interest on the part of Japanese steel makers, Taipei chose to avoid increased dependence on Japanese capital and technology. The new plant will initially produce about one million metric tons of crude steel annually, with eventual yearly output planned at four million tons. Both Taipei and Vienna probably regard the investment by the government-controlled Voest Corporation as compensating to some degree for Austria's recent diplomatic recognition of China.

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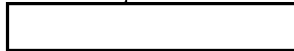
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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 31 August 1971 approved the following national intelligence estimate:

NIE 55-71 "Prospects for Indonesia"



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